

REMARKS

In an Office Action mailed April 8, 2005, claims 1-111 were rejected under 35 U.S.C. 101 for claiming non-patentable subject matter. In addition, claims 1-5, 7-9, 11-81 and 83-109 were rejected under 35 U.S.C. 102(e) as anticipated by Schmid (US 2002/0029188 A1). Claims 6, 10, 82, 110 and 111 were rejected under 35 U.S.C. 103(a) as obvious over Schmid.

Independent claim 74 has been amended to specify a software program embedded in a computer-readable medium. Claims 75-108 are directly or indirectly dependent on claim 74.

Applicants' invention relates to a system and method for originating loans as well as a software program for performing certain portions of the method. As set forth in claim 1, the method comprises the steps of developing underwriting information relating to the loan, providing at least one prospective lender access to at least part of the underwriting information, providing prospective lenders an opportunity to submit a bid in an auction and providing an opportunity for consideration of the bid. To reduce this system and method to practice, numerous details had to be worked out; and for the preferred embodiment, appropriate software had to be developed. For example, underwriting procedures had to be developed, enrollment procedures had to be formulated for both borrowers and lenders, auction rules had to be established, and loan processing procedures had to be developed. Some of the details of the underwriting procedures are recited in claims 2-6, 32, 33, 37 and 38. Some of the details of the loan application process are enumerated in claims 7-12. Some of the details of the loan processing procedures are set forth in claims 13-20 and 36. Details of the auction process are enumerated in claims 21-31, 34, 35.

Applicants' appreciate the Examiner's indication that the Declaration of Francis E. Morris dated March 10, 2004 was sufficient to establish diligence for the period from February

3, 2000 to the filing date of the present application. An additional Declaration by Francis E. Morris under 37 C.F.R. 1.132 (Morris Declaration) is submitted herewith submitting records of activity at the law firm of Dechert Price & Rhoads in the period from just before December 20, 1999 to February 2000 that is directed toward reduction to practice of the invention.

In particular, the Morris Declaration submits as Exhibit A a letter dated February 3, 2000 from Mr. Joseph Heil, one of the inventors, to Mr. Morris forwarding nine enumerated items including some patent information, a description of the applicants' process and certain Agreements used in the process. As stated in the letter, the applicants' process is described in the first chapter of the Underwriting Manual (item 7). Auction Rules are provided as item 3. To participate in the loan origination process, a borrower would be required to sign an Underwriting and Auction Agreement (item 5) and a lender would be required to sign a Registered Lender Agreement (item 4). In addition, to ensure that funds would be available for lending, applicants' method also provides for a market maker who would be required to execute a Market Maker Agreement (item 6).

Exhibit B of the Morris Declaration is a portion of invoice 503081 dated January 31, 2000 from Dechert Price & Rhoads addressed to Joseph B. Heil for Patent Advice. Entries on December 15, 1999, December 21, 1999 and December 22, 1999 relate to a prior art patent search.

Exhibit C of the Morris Declaration is a portion of pages 1, 2 and 4 of invoice 503084 dated January 31, 2000 from Dechert Price & Rhoads addressed to Joseph B. Heil for Loan Program Documents. Entries from December 9, 1999 through December 27, 1999 include edit manual, edit underwriting agreement, draft market maker agreement, review auction rules,

review and analysis of market maker issues, conferences with J. Heil, revise underwriting and auction agreement pursuant to J. Heil's request, etc.

Exhibit D of the Morris Declaration is a portion of pages 4, 5, 10, 11 and 15 of invoice 506071 dated February 29, 2000 from Dechert Price & Rhoads addressed to Joseph B. Heil for Real Estate Financing. Entries on pages 11 and 12 for January 4, 2000, January 5, 2000, January 6, 2000 and January 11, 2000 by WCS (W. Stefko), on page 5 for January 17, 2000 by ED (E. DeTrizio) and on page 4 for January 31, 2000 by JLD (J. Drake) relate to the preparation of the Market Maker Agreement. Entries on page 15 for January 7, 2000 by LBG (L. Genden), on pages 10 and 11 for January 13, 2000, January 18, 2000, January 19, 2000, January 21, 2000, January 23, 2000 and January 27, 2000 by MHB (M. Brown) relate to the preparation of the Underwriting Manual.

On information and belief all the foregoing activity was performed in the United States.

It is respectfully submitted that the foregoing activity in the later half of December 1999 and in January 2000 in patent searching and in the preparation of agreements used in the practice of the invention establishes due diligence in reducing the applicants' invention to practice in this period. In conjunction with the conception of the invention prior to December 20, 1999 as detailed in the inventors' previously submitted declarations of September and November 2004 and the previously established due diligence from February 3, 2000 to the filing date of the present application, this establishes that applicants made their invention prior to the filing date of the Schmid reference. Accordingly, it is submitted that the rejection of the claims on Schmid should be withdrawn.

With respect to the rejection of the claims under 35 U.S.C. 101, applicants have amended claim 74 to recite a software program embodied in a computer-readable medium. This

amendment is believed to obviate the Examiner's rejection of this claim and dependent claims 75-108 under 35 U.S.C. 101.

The Examiner appears to have rejected claims 39-73 which are directed to a computer system for failing to recite "structure which moves to define such 'system.'" It is respectfully submitted that there is no requirement in the patent law that recited structure moves. Indeed, there are numerous technologies where the structure does not move. Electronic circuits are one such example. Claim 39 is directed to a computer system that is configured by program instructions to perform certain functions such as receiving and storing certain information. As discussed below, applicants do not agree with the Examiner's contention that an invention must be within something described as the technological arts. However, there should be no doubt that a computer system is within the technological arts, however defined, and a computer system programmed to perform operations such as receiving and storing information is likewise within the technological arts.

With respect to the rejection of method claims 1-38 and 109-111, as failing to be within the technological arts, and therefore unpatentable under 35 U.S.C. 101, applicants submit that this rejection is groundless. There is no requirement in patent law that an invention be within the technological arts. As the Examiner points out, the Constitution gave Congress the power to promote "useful arts" and Congress in 35 U.S.C. 101 authorizes the grant of a patent to the inventor of a useful "process, machine, manufacture, or composition." While In re Musgrave, 167 USPQ 280 (CCPA 1970) mentions the term "technological arts" at page 289, it does so only in a way that equates it to the Constitutional term "useful arts":

"All that is necessary, in our view, to make a sequence of operational steps a statutory process within 35 U.S.C. 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of

‘useful arts.’ Const. Art 1, sec. 8.”

By no means is the above-quoted language in Musgrave the basis for a two pronged test that somehow tests both what is in the technological arts and what is useful.

Nor does In re Toma, 197 USPQ 852 (CCPA 1978) support the Examiner’s position that there is a two-pronged test. The very language quoted by the Examiner equates the terms “technological” and “useful” in referring to a single “‘technological’ or ‘useful’ arts inquiry.” In re Toma at 857.

Finally, Exparte Bowman, 61 USPQ 2d 1669 (Bd Pat App & Int 2001) likewise does not support the Examiner’s position. In the first place the Board’s decision in Bowman is not available as precedent. The *Bowman* decision was unpublished. That is, the decision “was not written for publication, and is not binding precedent of the [B]oard.” *Bowman*, 61 USPQ 2d at 1670. In other words, the Board itself was not willing to be bound by the decision. Applicants respectfully submit that they are likewise not bound by the decision, and that rejections (if any) of their claims should be based on actual law—not unpublished, non-precedential opinions.

Second, the Board’s holding in Bowman is quite limited. The Board stated: “In summary, we find that the invention before us is nothing more than an abstract idea which is not tied to any technological art, environment, or machine, and is not a useful art as contemplated by the Constitution of the United States.” *Bowman*, at 1671. Thus, the Board was making a specific statement about Bowman’s invention—not a general statement about claim requirements.

Third, although the *Bowman* Board affirmed claim rejections on the ground that the claimed invention was not tied to any “technological art, environment, or machine,” it provides no guidance as to what constitutes a “technological art.” Thus, even if the decision were

precedential, it provides no guidelines whatsoever that could be used by Applicants to determine whether the claimed invention does or does not "fall within the definition of technological arts."

For the foregoing reasons, applicants submit that the rejection of claims 1-111 for failure to recite a patentable invention should be withdrawn under 35 U.S.C. 101.

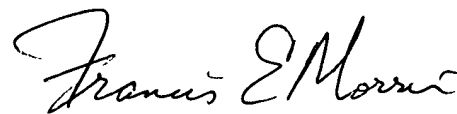
Applicants' attorney is aware of the Examiner's request for a declaration from the inventors as to where they conceived the invention and performed their diligence. Applicants' attorney understands that this was done in the United States and expects to submit a declaration from the inventors to that effect shortly.

Aside from the fee for an extension of time, no additional fee is believed to be due for filing this response. However, if a fee is due, please charge such fee to Morgan, Lewis & Bockius LLP Deposit Account No. 50-0310.

If the Examiner believes a telephone interview would expedite prosecution of this application, he is invited to call applicant's attorney at the number given below.

Date October 11, 2005

Respectfully submitted,



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